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TAGS: [PGOV](#) [PREL](#) [ECON](#) [EFIN](#) [JA](#) [IZ](#)
SUBJECT: JAPANESE AMBASSADOR REPORTS ON LOAN PROJECT, LOOKS
FORWARD TO NEXT INTERNATIONAL COMPACT MEETING

Classified By: Ambassador Zalmay Khalilzad for reasons 1.4 (b) and (d).

¶1. (C) Summary: The Japanese Ambassador to Iraq, Hisao Yamaguchi, briefed Ambassador Khalilzad on Japanese government concessionary loans to various projects in Iraq, totaling approximately USD 1.6 billion. Japan will pledge additional funds to Iraq's reconstruction in the next meeting of the International Compact for Iraq, which Ambassador Yamaguchi hoped would take place in the near future. Yamaguchi commented on his recent meeting with Prime Minister Maliki, asked about political developments in Iraq, and confirmed that Japan will build a large Embassy in Baghdad's International Zone. End summary.

¶2. (C) Yamaguchi told Ambassador Khalilzad on December 7 that the Government of Japan (GOJ) had already signed four concessionary loans with the GOI, and that it expected to pledge another two loans on December 10th. The interest rate on the eight reconstruction and rehabilitation loans that the GOJ has approved is of 0.75%, with a repayment period of 40 years, including a 10-year grace period. The projects to be financed are:

- Umm-Qasar port sector rehabilitation, USD 263 million
- Irrigation sector loan, throughout Iraq, USD 83 million
- Al-Mussaib thermal power plant rehabilitation, USD 320 million
- Samawah bridges and roads construction, USD 29 million
- Basrah refinery upgrading, USD 18 million
- Khor Al-Zubair fertilizer plant rehabilitation, USD 158 million
- Basrah crude oil export facility rehabilitation, USD 434 million
- Electricity sector reconstruction, throughout the country, USD 283 million

¶3. (C) Yamaguchi stated that Japan will pledge an additional amount (NFI) of reconstruction funds in the next meeting of the International Compact for Iraq. He wondered why the government of Saudi Arabia had not convened this meeting yet, and hoped that it would do so soon. Ambassador Khalilzad stated that the US wanted the meeting to take place and that we would be talking to the Saudis about it. Ambassador Khalilzad mentioned mid-January as a possible time frame.

¶4. (C) Yamaguchi said that Prime Minister Maliki, whom he met on December 2, seemed to be paying more attention to Iraq's economic recovery and to Japanese assistance to Iraq. On the political side, Yamaguchi found the PM "bullish" on Sadrists, and asked Ambassador Khalilzad about the moderate front and the future of the national unity government. Ambassador Khalilzad responded that he did not think Maliki wanted to pick a fight with the Sadrists but that the PM was not intimidated by them either. He added that the moderate front (comprised of Dawa, SCIRI, the Islamic Party and the two Kurdish parties) was not conceived to end the national unity

government but rather to marginalize the extremists and make the cabinet and the Council of Representatives effective.

¶5. (C) Yamaguchi thanked Ambassador Khalilzad for his assistance in getting land for the construction of a Japanese Embassy in the International Zone. He confirmed that the GOJ planned to build a large, permanent Embassy, showing Japan's commitment to maintain and develop a strong relationship with the government of Iraq.

KHALILZAD